



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 22, 2006

H.R. 5005 **Firearms Corrections and Improvements Act**

As ordered reported by the House Committee on the Judiciary on September 13, 2006

SUMMARY

H.R. 5005 would make many changes to the current laws relating to the sale, possession, and importation of firearms. CBO estimates that implementing the bill would increase spending by the Bureau of Alcohol, Tobacco, Firearms, and Explosives (BATFE) by \$11 million over the 2007-2011 period, assuming appropriation of the necessary amounts. In addition, we estimate that enacting the bill would increase revenues by less than \$500,000 annually. Enacting H.R. 5005 would not affect direct spending.

H.R. 5005 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) by preempting state and local laws regulating the sale and transfer of certain firearms. CBO estimates that the costs, if any, for those governments to comply with that preemption would be minimal and therefore would not exceed the annual threshold established in UMRA (\$64 million in 2006, adjusted annually for inflation).

H.R. 5005 would impose a private-sector mandate, as defined in UMRA, on certain persons who have been convicted in any court of a misdemeanor sex offense against a minor. The bill would make it unlawful for such persons to ship, transport, possess, or receive a firearm or ammunition. Based on information from government sources, CBO estimates that the direct cost of complying with the mandate would fall well below the annual threshold established by UMRA (\$128 million for private-sector mandates in 2006, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5005 is shown in the following table. The costs of this legislation fall within budget function 750 (administration of justice).

	By Fiscal Year, in Millions of Dollars				
	2007	2008	2009	2010	2011
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	3	2	2	2	2
Estimated Outlays	3	2	2	2	2

BASIS OF ESTIMATE

CBO estimates that implementing H.R. 5005 would cost \$11 million over the 2007-2011 period. For this estimate, CBO assumes that the necessary amounts will be appropriated near the start of each fiscal year and that spending will follow historical patterns for similar activities. In addition, CBO estimates that enacting the bill would have an insignificant effect on revenues.

Spending Subject to Appropriation

H.R. 5005 would authorize the importation and use of certain machine guns and firearms components that are currently prohibited. CBO expects that BATFE would need to enhance its computer systems and hire additional personnel to handle additional gun import transactions and license applications under the bill. Based on information from BATFE, CBO estimates that implementing H.R. 5005 would cost about \$3 million in fiscal year 2007 and about \$2 million annually thereafter.

Revenues

BATFE is authorized to charge fees for granting any new firearms licenses under H.R. 5005. Such fees would be recorded in the budget as revenues and deposited in the Treasury. Based on information from the agency about the likely number of new licensees, we estimate that new collections under the bill would be less than \$500,000 a year.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 5005 contains an intergovernmental mandate as defined in UMRA by preempting state and local laws regulating the sale and transfer of certain firearms. The bill would allow the sale and transfer of certain machine guns in states where those transaction are currently prohibited by state law or local ordinance. Such transactions would be limited to contractors that provide certain security services to the federal government. CBO estimates that the costs, if any, for state and local governments to comply with that preemption would be minimal and therefore would not exceed the annual threshold established in UMRA (\$64 million in 2006, adjusted annually for inflation).

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 5005 would impose a private-sector mandate, as defined in UMRA, on certain persons who have been convicted in any court of a misdemeanor sex offense against a minor. The bill would make it unlawful for such persons to ship, transport, possess, or receive a firearm or ammunition in interstate or foreign commerce. A "misdemeanor sex offense against a minor" means a sex offense against a minor punishable by imprisonment for not more than one year. The bill also would make it unlawful to sell or otherwise dispose of any firearm or ammunition to any person having reasonable cause to believe that person has been convicted of such a crime. Based on information from government sources, CBO estimates that the direct cost of complying with the mandate would fall well below the annual threshold established by UMRA (\$128 million for private-sector mandates in 2006, adjusted annually for inflation).

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